

---

Citation:

Lampadarios, E (2016) Brexit's effect on the surfactant supply chain: a distributor's perspective. In: The 5th ICIS European Surfactants Conference, 15 September 2016 - 16 September 2016, Berlin, Germany.

Link to Leeds Beckett Repository record:

<https://eprints.leedsbeckett.ac.uk/id/eprint/3055/>

Document Version:

Conference or Workshop Item (Published Version)

---

The aim of the Leeds Beckett Repository is to provide open access to our research, as required by funder policies and permitted by publishers and copyright law.

The Leeds Beckett repository holds a wide range of publications, each of which has been checked for copyright and the relevant embargo period has been applied by the Research Services team.

We operate on a standard take-down policy. If you are the author or publisher of an output and you would like it removed from the repository, please [contact us](#) and we will investigate on a case-by-case basis.

Each thesis in the repository has been cleared where necessary by the author for third party copyright. If you would like a thesis to be removed from the repository or believe there is an issue with copyright, please contact us on [openaccess@leedsbeckett.ac.uk](mailto:openaccess@leedsbeckett.ac.uk) and we will investigate on a case-by-case basis.

# Brexit's effect on the surfactant supply chain: a distributor's perspective

Dr Evripidis (Evri) Lampadarios

Business Manager - The White Sea & Baltic Co

Associate Lecturer - Leeds Beckett University

- ▶ Overview of the UK surfactant market
- ▶ Key end product industries
- ▶ The '*distribution*' phenomenon
- ▶ Routes to market
- ▶ The '*Brexit*' effect
- ▶ Key success factors for market development
- ▶ Adapting to the changed landscape and preparing for future shocks

# UK Surfactants market

- ▶ Well established & mature
  - ...but still highly fragmented
  - ...hence strong consolidation and high M&A activity
- ▶ Increasing environmental and regulatory pressures
- ▶ Few large UK manufacturers with strong presence of converters  
...manufacturing centre has moved outside the UK
- ▶ Increased global direct competition from Europe and Asia
- ▶ Manufacturing focus and investment towards high value applications and niche markets
- ▶ Development and innovation relatively strong with R&D centres remaining in the UK (for the time being...)
- ▶ North East, North West, Yorkshire, Humber and Scotland regions main manufacturing areas
- ▶ Strong presence of distributors – Large multinationals (LMNEs) and a very interesting mix of SMEs

# Key end product industries

## Traditional

## Specialised

Medium to long-term trend:

- decline in the manufacture of large volume-low margin chemicals
- specialisation within the manufacturing sector
- increase in the importation of bulk chemicals and fuels
- Increased associated storage and distribution

(Chemistry Growth Strategy Group, 2014; Health and Safety Executive, 2014)

- PLASTICS
- Food
- Water treatment
- Oilfield
- Construction

Even in traditional markets  
the focus is on  
specialised/niche /high tech  
applications

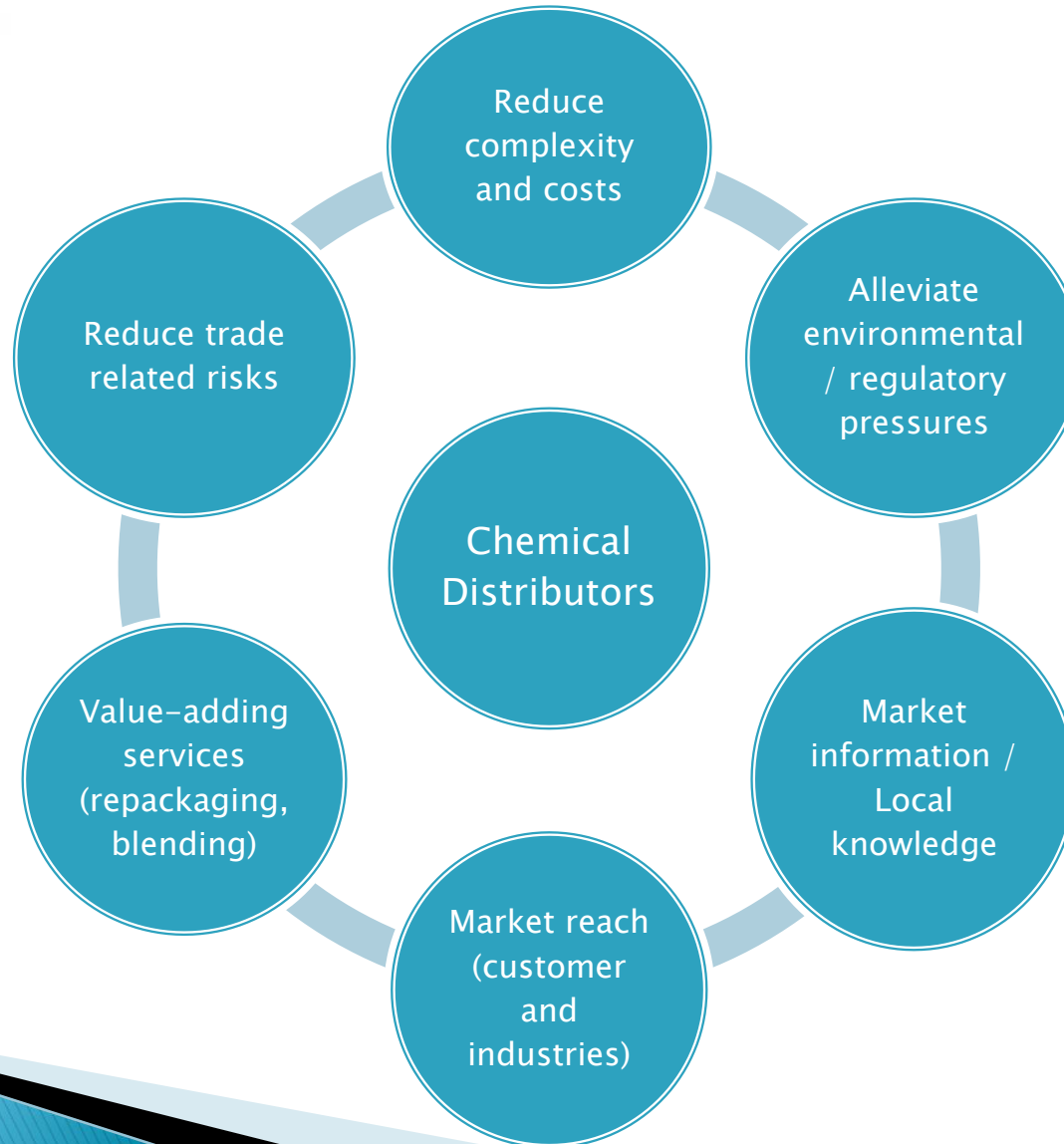
# The '*distribution*' phenomenon

Manufacturers need to reach their customers / markets but:

- ▶ Increased competition due to globalisation
- ▶ Environmental and regulatory requirements
- ▶ Differences in the composition of the customer/industry by country
- ▶ Need to supply a wide range of products in differing quantities to a hugely diverse customer base
- ▶ Customer fragmentation
- ▶ Presence of small customers
- ▶ Lack of infrastructure and processes to handle low volumes or a high diversity of products
- ▶ Local presence required

...not an easy task...need for a 'middleman'

# The '*distribution*' phenomenon



## Manufacturers / Converters

Direct

Own  
distributor(s)

Non-  
exclusive  
distributor(s)  
/ Agents

Appointed  
distributors  
& Exec  
accounts

Exclusive  
distributor(s)

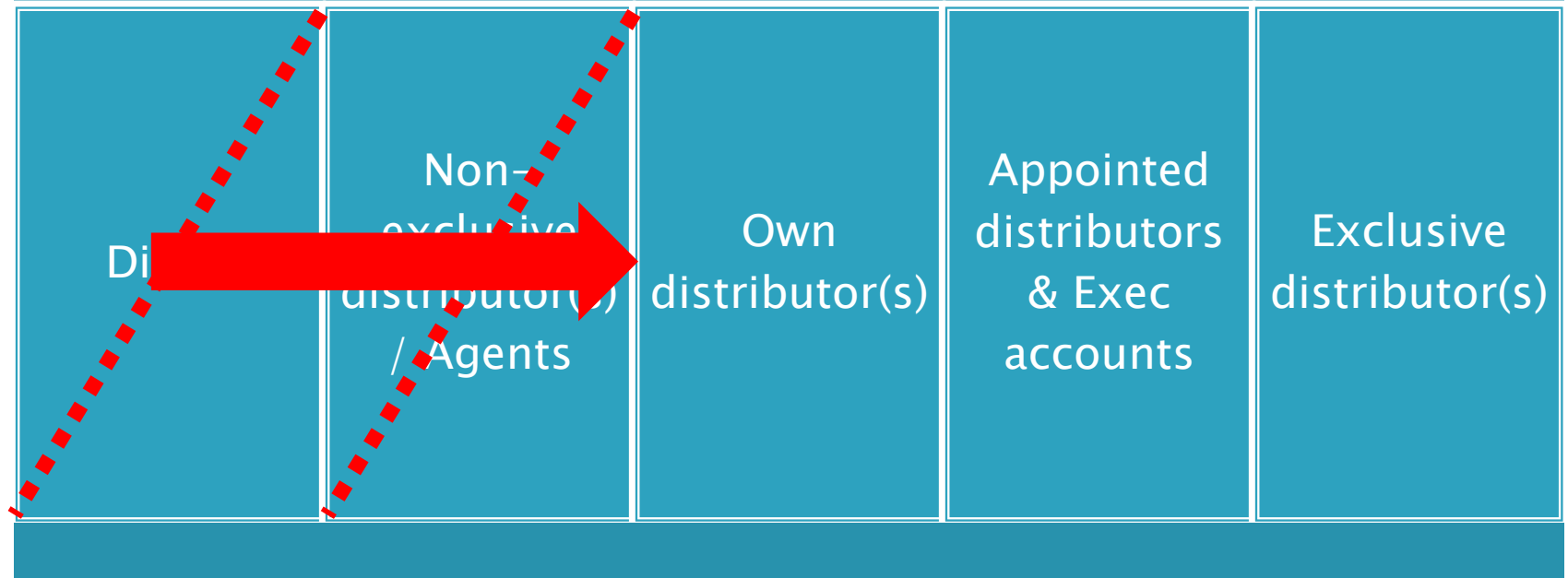


# The 'Brexit' effect

- ▶ ...needs to be investigated as a **phenomenon** and not as a singular event
- ▶ Despite continuous speculations on the effect so far very few aspects have become **visible** to the public and industry alike.
- ▶ **Uncertainty** is the only remaining constant as the UK moves into uncharted territory.
- ▶ Speculations and scenarios causing **destabilisation** of supply affecting **routes to market**

# Routes to market (Brexit effect)

## Manufacturers / Converters



# LMNEs vs SMEs (in the UK distribution arena)

- ▶ Focus on distributors to deal with **uncertainty** and a means to **reduce / mitigate risk**.
- ▶ Distinction between MNEs and SMEs (< 250 employees, < EUR50m turnover, < EUR43m annual sheet)
- ▶ UK distribution: 75% LMNEs vs 25% SMEs (Chemagility, 2015)
- ▶ With market:
  - moving towards specialised / niche applications
  - more technically focused
  - fragmented
  - (potentially) smaller volumes
  - requiring flexibility and adaptability
  - quick responses
  - low cost /overheads.....
- ▶ Brexit and industry conditions seem to be favouring SMEs...

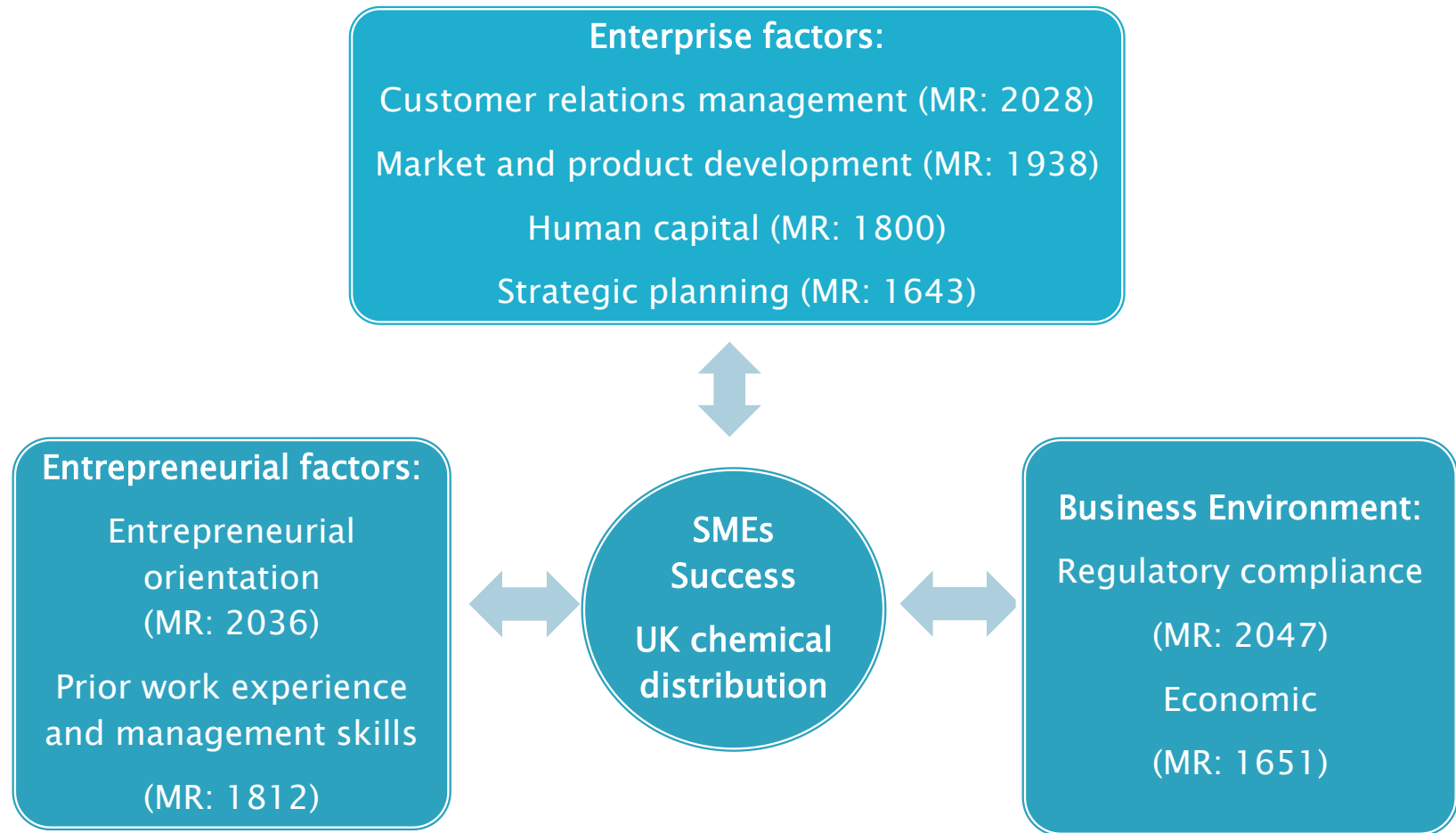
# Key success factors for SMEs

- ▶ ...based on academic research (Lampadarios, 2016)
- ▶ Aim: Identify CSFs for SMEs in the UK Chemical distribution industry
- ▶ Target group:
  - SMEs as defined by the European Union; located in the UK
  - not part of a another organization or belonging to a larger corporation
  - no manufacturing activity and capability
- ▶ Population: 180
- ▶ Key informants: Owners and Senior managers (CEOs, MD, Directors)
- ▶ Twenty two (22) factors critical to small business success identified and their impact was investigated.
- ▶ Categorised in:
  - entrepreneurial (relating to the personal characteristics of the owner/manager)
  - enterprise (relating to the firm)
  - business environment (external) factors
- ▶ Survey strategy, self-administered questionnaires.
- ▶ Response rate 65.5%.

# Main findings

- ▶ Success is a multidimensional phenomenon, both firm-internal and firm-external factors need to be optimal simultaneously.
- ▶ Strong interrelations amongst the success factors
- ▶ Flexibility and adaptability required
- ▶ SMEs are not a homogeneous group - different strategies are needed for different sized businesses.
- ▶ Variations in all enterprise and business environment  
CSFs i.e. customer focus, formal vs informal strategy, sources of finances, HR management, market orientation, regulatory strategy.

# Critical Success Factors (CSFs)



# CSFs Explained

- ▶ ~~Entrepreneurial factors~~
  - Entrepreneurial Orientation
  - Prior Work Experience and Management skills
- ▶ Enterprise factors
  - Customer Relations Management
  - Market and Product development
  - Human Capital
  - Strategic Planning
- ▶ Business Environment factors
  - Regulatory compliance
  - ~~Economic environment~~

# Regulatory Compliance

- ▶ Unavoidable
- ▶ Compliance strategy needed
- ▶ Human and financial resources
- ▶ Adjust portfolio
- ▶ Utilise available support (ECHA, Chamber of Commerce)

...yet new opportunities outside EU: internationalisation



# Customer Relations Management

- ▶ Remember...distributors do not manufacture products...it is all down to the 'service' element
- ▶ Closeness to customers
- ▶ Quick response times
- ▶ Easier to maintain than finding new
- ▶ CRM management systems
- ▶ Suppliers management
  - they are customers too and should be treated equally well
  - source not only of products but innovation
  - 'take advantage' of capabilities
  - reinforce relationship and increase level of integration

# Market & Product development

- ▶ Critical in success...even more so with 'Brexit'
- ▶ Lack of manufacturing capabilities...
- ▶ Category management excellence (niche, specialise, differentiate, offer USPs)
- ▶ Constant awareness of new technologies, markets and competition
- ▶ Increase exposure with existing suppliers
- ▶ Identify new products and markets...Internationalisation
- ▶ Networking: formal arrangements (i.e. joint ventures, alliances and distribution agreements) to informal networking (i.e. business clusters, business incubators, entrepreneurship clubs)
- ▶ 'All around' employees

# Human Capital

- ▶ Customer facing and driven industry....people do matter
- ▶ Education, business qualifications, work and industry-specific experience, business contacts, relevant skills and training
- ▶ Commitment and investment required to increase the above
- ▶ Developing vs Acquiring
- ▶ Technical expertise key into niche / specialised markets (consider UK skills shortage)
- ▶ Capitalise sources of knowledge (universities, associations, government funded programmes)
- ▶ How about SME owners/managers and their development?

# Strategic Planning

- ▶ *'Strong and focussed companies with a forward-looking strategy and mind-set will thrive in the UK chemical distribution industry'*
- ▶ All SFs are integral parts of planning
- ▶ Formal vs Informal.....does it matter?
- ▶ Throughout the life of the business
- ▶ Improve business planning skills

# Thriving under 'Brexit'

- ▶ Flexibility
- ▶ Adaptability
- ▶ Understand and utilise distribution options
- ▶ Explore new opportunities

# References

- ▶ Chemagility (2015) United Kingdom Chemical Distribution Report 2015, Surrey: Chemagility.
- ▶ Chemistry Growth Strategy Group (2014) ) Strategy for Delivering Chemistry-Fuelled Growth of the UK Economy, DRAFT, Department for Business innovation and Skills.
- ▶ Health and Safety Executive (HSE) (2014) Chemical Sector Strategy 2012-2015, [online] available at: <http://www.hse.gov.uk/aboutus/strategiesandplans/sector-strategies/chemicals.htm> [accessed 20th March 2014].
- ▶ Lampadarios, E. (2016a) Success factors for SMEs in the European chemical distribution industry, *Journal of Research in Business, Economics and Management*, 6(3), pp. 941-952.
- ▶ Lampadarios, E. (2016b) Critical success factors for SMEs: an empirical study in the UK chemical distribution industry, *International Journal of Business and Management*, Vol(7), pp. 67-82.
- ▶ Lampadarios, E. (2016c) What future for SME distributors?, *Speciality Chemicals magazine*, March, pp. 36-38.
- ▶ Lampadarios, E. (2016d) Critical challenges for SMEs in the UK chemical distribution industry, *Journal of Business Chemistry*, 13(1), pp. 17-32.
- ▶ Lampadarios, E., Kyriakidou, N. and Smith, G. (n.d.) Towards a new framework for SMEs success: a literature review, *International Journal of Business and Globalisation*, forthcoming February 2017.



**Thank you!**

Any questions?